

Good afternoon Mr. Chairman and members of the Committee,

My name is Ron Hicks, Senior Director of Government Affairs and Community Outreach for Advance America.

Advance America is a leading non-bank provider of consumer financial services, including cash advances and other short- and medium-term loans, including CSO loans.

I thank you for the opportunity to testify in support of SB 842 and 843.

The CSO model as developed under these bills ensures a simple, transparent and personalized credit option that is much needed in Michigan. Some recent studies explain why:

According to a survey released earlier this year by Bankrate.com, approximately 63 percent of Americans have no available savings for things like a medical emergency or critical car repair.

Another survey – by GoBankingRates.com – found that 62 percent of Americans have less than 1,000 dollars in savings.

So where should consumers turn to handle an unexpected expense?

When you look at the small-dollar, short-term products offered by banks and credit unions, it is clear why non-bank short-term loans make personal and financial sense for many. Our loans are often the least expensive, dollars and cents option, when compared to the higher costs of bouncing a check, paying overdraft protection fees or incurring late payment penalties.

In Advance America's 151 centers throughout the state, we see first-hand the needs of Michigan consumers.

What's clear from our experience is that there is no one-size-fits-all solution that meets the needs of every borrower. As we've seen in Ohio, the CSO model provides a sound option for consumers looking for a short- or mid-term financial solution. This unique unsecured loan affords Ohioans critical access to credit, while providing a high level of flexibility and strong consumer protections,

enabling them to work with their lender to tailor their loan's amount and term to their individual situation.

The CSO model provides a lower annual percentage rate than some loans with shorter terms, and a predictable repayment schedule that always pays down the loan's principal.

The flexibility and customization afforded by the CSO model outlined in SBs 842 and 843, ensure that consumers will continue to have the access to shorter-term, smaller-dollar credit they need, particularly in advance of new federal regulations from the Consumer Financial Protection Bureau (CFPB).

While the CFPB's rules have not yet been issued, their preliminary outlines make it clear they will significantly reshape short-term credit as it is currently offered in Michigan.

The CFPB's own research, as well as a number of independent analyses, suggests that the rule will result in widespread closures and the elimination of critical credit options for millions of Americans.

The rules are certain to be what I call "test lab solutions" -- dreamed up by Washington bureaucrats, completely different from the successful, time-tested policies in Michigan -- or in any state with regulated lending -- and developed with no understanding of the consumers who actually use and need these services.

These officials have neither attempted to study the actual effects on Michigan consumers who occasionally count on regulated payday loans nor examined the effectiveness of the state's regulatory approach.

Bureau officials are ignoring the lack of payday lending complaints -- fewer than one percent of all of the financial institution complaints received the CFPB -- and substituting their ideology-driven opinions for the experiences of the people who value and rely on the service.

Here in Michigan, complaints about regulated lenders like my company are similarly low. The Department is here and can share the precise loan versus complaint figures, if you want them.

And we certainly know that the feds have not made any real effort to coordinate with Michigan officials. Elected officials across the country are voicing their strong concerns with the Bureau's "one-size-fits-all" model.

Nearly 30 Republican and Democratic Representatives from Ohio, Florida, California, New York, Tennessee, Virginia, Texas, Arizona, North Carolina, South Carolina, Minnesota and Missouri have cautioned against superseding state laws that already effectively regulate the industry.

At the end of the day, the rules being considered by the CFPB are a classic example of the federal government of picking winners and losers. The winners will be high-cost alternatives such as unlicensed, offshore lenders. The losers will be the states with effectively-regulated payday lending; and most of all, consumers.

Your support of SB 842 and 843 can ensure that your constituents continue to have access to needed credit options, even in the face of federal restrictions that would deny them the authority to responsibly manage their finances, and would expose them to significant financial harm by unregulated lenders.

I urge your support of SB 842 and 843, to preserve and strengthen Michigan consumers' access to short-term credit. I would be happy to try to answer any questions.